

RINGGOLD COUNTY
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2004

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RINGGOLD COUNTY

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|----------------------|---------------------|
| Royce Dredge | Board of Supervisors | December 2004 |
| Wayne Kemery | Board of Supervisors | December 2004 |
| David Inoles | Board of Supervisors | December 2006 |
| Renda Paxson | County Auditor | December 2004 |
| Beverly Noble | County Treasurer | December 2006 |
| Karen Schaefer | County Recorder | December 2006 |
| Robert Bennett | County Sheriff | December 2004 |
| Clinton Spurrier | County Attorney | December 2006 |

Independent Auditor's Report

To the Officials of Ringgold County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ringgold County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of County officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ringgold County as of June 30, 2004, and the results in operations and the cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Ringgold County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosure*; Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004 on our consideration of Ringgold County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 39 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ringgold County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
October 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ringgold County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because the County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.63%, or approximately \$91,330, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$139,655 and intergovernmental receipts increased approximately \$13,274.
- Program expenses were 9.61%, or approximately \$496,847, more in fiscal 2004 than in fiscal 2003. Roads and transportation expense increased approximately \$355,978.
- The County's net assets decreased 3.35%, or approximately \$83,351, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ringgold County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ringgold County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ringgold County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Ringgold County's combined net assets for FY04 totaled approximately \$5,366,059. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities

| | |
|---|--------------------|
| Current and other assets | \$4,709,090 |
| Capital assets | <u>3,378,141</u> |
| Total assets | <u>8,087,231</u> |
| Long-term debt | 217,252 |
| Other liabilities | <u>2,503,920</u> |
| Total liabilities | <u>2,721,172</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 3,160,888 |
| Restricted | 24,484 |
| Unrestricted | <u>2,180,687</u> |
| Total net assets | <u>\$5,366,059</u> |

The largest portion of the County's net assets is the invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Changes in Net Assets of Governmental Activities

| | |
|---|---------------------------|
| Revenues: | |
| Program services: | |
| Charges for service | \$ 595,163 |
| Operating grants and contributions | 2,674,898 |
| General revenues: | |
| Property taxes | 1,992,232 |
| Property taxes debt service | 40,208 |
| Penalty and interest on property taxes | 24,123 |
| State tax credits | 131,067 |
| Grants and contributions not restricted to specific purpose | 1,111 |
| Investment earnings | 35,675 |
| Gain on disposition | 33,845 |
| Miscellaneous | <u>4,796</u> |
| Total revenues | <u>5,553,118</u> |
| Program expenses: | |
| Public safety and legal services | 676,513 |
| Physical health and social services | 571,286 |
| Mental health | 722,625 |
| County environment and education | 168,411 |
| Roads and transportation | 2,559,531 |
| Government services to residents | 212,045 |
| Administrative services | 535,495 |
| Non-program | 12,982 |
| Interest on long-term debt | <u>11,981</u> |
| Total expenses | <u>5,470,869</u> |
| Increase in net assets | 62,249 |
| Net assets, beginning of year | <u>5,303,810</u> |
| Net assets, end of year | <u><u>\$5,366,059</u></u> |

Ringgold County's net assets of governmental activities increased by approximately \$62,249 during the year. Revenues for governmental activities decreased by approximately \$57,485 over the prior year.

The cost of all governmental activities this year was \$5.4 million compared to \$5.1 million last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$2.3 million because some of the cost was paid by those directly benefited from the programs (\$595,163) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,674,898).

INDIVIDUAL MAJOR FUND ANALYSIS

As Ringgold County completed the year, its governmental funds reported a combined fund balance of \$2.4 million, a decrease of more than \$135,000 below last year's total of \$2.5 million.

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balances showed a modest increase of \$17,508 from the prior year to \$733,121.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$719,433, an increase of 6.8% from the prior year. The Mental Health Fund balance at year ended decreased by approximately (\$12,162) over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$434,900 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$168,300 or 14.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Ringgold County amended its budget three times. The first amendment was made on December 16, 2003. The second amendment was made on January 27, 2004 and the third amendment was made on May 25, 2004. These amendments were made to provide for additional expenditures in certain County departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Ringgold County had approximately \$31.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,491,000, or 4.9%, over last year.

Capital Asset of Governmental Activities at Year End (Expressed in Thousands)

| | |
|----------------------------|-----------------|
| Land | \$ 1,109 |
| Buildings and improvements | 547 |
| Equipment and vehicles | 3,404 |
| Infrastructure | <u>198</u> |
| Total | <u>\$ 5,258</u> |

This year's major additions included (in thousands) :
Replacement of motor graders and other secondary road equipment \$ 195

The County had depreciation expense of \$201,326 in FY04 and total accumulated depreciation of \$1,881,375 at June 30, 2004.

Long-term Debt

At June 30, 2004, Ringgold County had approximately \$217,253 debt outstanding compared to approximately \$247,337 at June 30, 2003, as shown below.

| Outstanding Debt of Governmental Activities at Year End (Expressed in Thousands) | |
|---|----------------------|
| Capital lease purchase agreements | \$ 217 |
| Compensated absences | <u>197</u> |
| Total | <u><u>\$ 414</u></u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ringgold County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The State's unemployment rate of 3.4% and the national rate of 3.9%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for FY 04 compared with the national rate of 3.4%.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$5.7 million, an increase of 9% over the final 2004 budget. Grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Ringgold County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$118,000. Increases in roadway construction and maintenance, represent the largest increase. The County has added no major new programs or initiatives to the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Ringgold County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ringgold County Auditor's Office, 109 W. Madison Street, Mount Ayr, Iowa.

FINANCIAL STATEMENTS

RINGGOLD COUNTY**Exhibit A****Statement of Net Assets****June 30, 2004**

| ASSETS | Governmental Activities |
|---|------------------------------------|
| Cash and cash equivalents | \$ 2,018,054 |
| Receivables: | |
| Property tax: | |
| Delinquent | 135,586 |
| Succeeding year | 2,029,772 |
| Interest and penalty on property tax | 250 |
| Accounts | 45,715 |
| Accrued interest | 2,658 |
| Due from other governments | 242,589 |
| Prepaid expenses | 93,349 |
| Inventories | 141,117 |
| Capital assets, net of accumulated depreciation | <u>3,378,141</u> |
| Total assets | 8,087,231 |
| LIABILITIES | |
| Accounts payable | 97,687 |
| Accrued interest payable | 2,636 |
| Salaries and benefits payable | 79,155 |
| Due to other governments | 98,148 |
| Deferred revenue - succeeding year property tax | 2,029,772 |
| Long-term liabilities: | |
| Portion due within one year: | |
| Capital lease purchase agreements | 31,685 |
| Compensated absences | 40,936 |
| Portion due after one year: | |
| Capital lease purchase agreements | 185,567 |
| Compensated absences | <u>155,586</u> |
| Total liabilities | 2,721,172 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 3,160,888 |
| Restricted for: | |
| Secondary road purposes | 13,346 |
| Other purposes | 11,138 |
| Unrestricted | <u>2,180,687</u> |
| TOTAL NET ASSETS | \$ <u><u>5,366,059</u></u> |

These financial statements should be read only in connection
with the accompanying notes to financial statements.

RINGGOLD COUNTY
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

| FUNCTIONS/PROGRAMS | <u>Expenses</u> | <u>Charges for Service</u> | <u>Operating Grants, Contributions, and Restricted Interest</u> | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|-------------------------------------|----------------------------|-----------------------------------|--|---|
| Governmental activities: | | | | |
| Public safety and legal services | \$ 676,513 | \$ 133,823 | \$ 3,500 | \$ (539,190) |
| Physical health and social services | 571,286 | 260,456 | 255,710 | (55,120) |
| Mental health | 722,625 | 5,990 | 360,398 | (356,237) |
| County environment and education | 168,411 | 1,644 | 8,131 | (158,636) |
| Roads and transportation | 2,559,531 | 64,348 | 2,047,159 | (448,024) |
| Governmental services to residents | 212,045 | 123,099 | - | (88,946) |
| Administrative services | 535,495 | 5,803 | - | (529,692) |
| Non-program | 12,982 | - | - | (12,982) |
| Interest on long-term debt | <u>11,981</u> | <u>-</u> | <u>-</u> | <u>(11,981)</u> |
| Total | <u>\$ 5,470,869</u> | <u>\$ 595,163</u> | <u>\$ 2,674,898</u> | <u>(2,200,808)</u> |

GENERAL REVENUES :

| | |
|---|-------------------------|
| Property tax levied for: | |
| General purposes | 1,992,232 |
| Debt service | 40,208 |
| Penalty and interest on property tax | 24,123 |
| State tax credits | 131,067 |
| Grants and contributions not restricted to specific purpose | 1,111 |
| Unrestricted investment earnings | 35,675 |
| Gain on dispositions | 33,845 |
| Miscellaneous | <u>4,796</u> |
| Total general revenues | <u>2,263,057</u> |
| Change in net assets | 62,249 |
| Net assets, beginning of year, as restated, Note 11 | <u>5,303,810</u> |
| Net assets, end of year | <u>\$ 5,366,059</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

RINGGOLD COUNTY

Balance Sheet Governmental Funds

June 30, 2004

| | | <u>Special Revenue</u> | | |
|--|--------------------|------------------------|-----------------------|------------------------|
| | <u>General</u> | <u>Mental Health</u> | <u>Rural Services</u> | <u>Secondary Roads</u> |
| ASSETS | | | | |
| Cash and pooled investments | \$ 539,647 | \$ 601,668 | \$ 1 7,916 | \$ 771,583 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 79,138 | 22,001 | 31,620 | - |
| Succeeding year | 1,175,227 | 325,831 | 487,933 | - |
| Interest and penalty on property tax | 250 | - | - | - |
| Accounts | 45,121 | - | - | 419 |
| Accrued interest | 2,641 | - | - | - |
| Due from other funds | 14,980 | - | - | - |
| Due from other governments | 55,913 | 7,852 | 14,133 | 163,763 |
| Prepaid expenses | 51,683 | - | - | 41,666 |
| Inventories | - | - | - | 141,117 |
| Total assets | <u>\$1,964,600</u> | <u>\$ 957,352</u> | <u>\$ 551,602</u> | <u>\$1,118,548</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 16,298 | \$ 11,740 | \$ - | \$ 69,6 49 |
| Salaries and benefits payable | 39,533 | 3,534 | 154 | 35,934 |
| Due to other governments | 421 | 97,727 | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,175,227 | 325,831 | 487,933 | - |
| Other | - | - | - | - |
| Total liabilities | <u>1,231,479</u> | <u>438,832</u> | <u>488,087</u> | <u>105,583</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Prepaid expenses | 51,683 | - | - | 41,666 |
| Inventories | - | - | - | 141,117 |
| Debt service | - | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 681,438 | - | - | - |
| Special revenue fund | - | 518,520 | 63,515 | 830,182 |
| Total fund balances | <u>733,121</u> | <u>518,520</u> | <u>63,515</u> | <u>1,012,965</u> |
| Total liabilities and fund balances | <u>\$1,964,600</u> | <u>\$ 957,352</u> | <u>\$ 551,602</u> | <u>\$1,118,548</u> |

ExhibitC

| <u>Nonmajor</u> | <u>Total</u> |
|-------------------|---------------------|
| \$ 72,260 | \$ 2,003,074 |
| 2,827 | 135,586 |
| 40,781 | 2,029,772 |
| - | 250 |
| 175 | 45,715 |
| 17 | 2,658 |
| - | 14,980 |
| 928 | 242,589 |
| - | 93,349 |
| - | 141,117 |
| <u>\$ 116,988</u> | <u>\$ 4,709,090</u> |
| \$ - | \$ 97,687 |
| - | 79,155 |
| - | 98,148 |
| 40,781 | 2,029,772 |
| - | - |
| <u>40,781</u> | <u>2,304,762</u> |
| - | 93,349 |
| - | 141,117 |
| 11,137 | 11,137 |
| - | 681,438 |
| <u>65,070</u> | <u>1,447,287</u> |
| <u>76,207</u> | <u>2,404,328</u> |
| <u>\$ 116,988</u> | <u>\$ 4,709,090</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

RINGGOLDCOUNTY

ExhibitD

ReconciliationoftheBalanceSheet-Governmental totheStatementofNetAssets

Funds

June30,2004

Totalgovernmentalfundbalances(page15)

\$ 2,404,328

*Amountsreportedforgovernmentalactivitiesinthe
statementofnetassetsaredifferentbecause:*

Capitalassetsusedingovernmentalactivitiesare not
financialresourcesand,therefore,arenotreporte din
thefunds.Thecostofassetsis\$5,179,516andth e
accumulateddepreciationis\$1,801,375.

3,378,141

Long-termliabilities,includingbondspayable,cap italleases,
accruedinterestpayableandcompensatedabsences, arenot
dueandpayableinthecurrentperiodand,therefor e,
arenotreportedasliabilitiesinthefunds.

(416,410)

Netassetsofgovernmentalactivities(page12)

\$ 5,366,059

These financial statements should be read only in connection
with the accompanying notes to financial statements .

RINGGOLD COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2004

| | | <u>Special Revenue</u> | | |
|---|------------------|------------------------|-----------------------|------------------------|
| | <u>General</u> | <u>Mental Health</u> | <u>Rural Services</u> | <u>Secondary Roads</u> |
| Revenues: | | | | |
| Property and other county tax | \$1,175,793 | \$ 321,143 | \$ 495,296 | \$ - |
| Interest and penalty on property tax | 24,123 | - | - | - |
| Intergovernmental | 458,274 | 376,603 | 28,808 | 2,089 ,491 |
| Licenses and permits | 2,725 | - | - | 346 |
| Charges for services | 323,119 | 5,970 | - | 78 |
| Use of money and property | 36,517 | - | - | - |
| Miscellaneous | <u>59,984</u> | <u>3,555</u> | <u>18</u> | <u>21,592</u> |
| Total revenues | <u>2,080,535</u> | <u>707,271</u> | <u>524,122</u> | <u>2,111,507</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety and legal services | 635,010 | - | - | - |
| Physical health and social services | 560,803 | - | - | - |
| Mental health | - | 719,433 | - | - |
| County environment and education services | 120,840 | - | 42,214 | - |
| Roads and transportation | - | - | - | 2,623,729 |
| Governmental services to residents | 217,177 | - | - | - |
| Administrative services | 521,215 | - | - | - |
| Non-program | 12,982 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | <u>-</u> | <u>-</u> | <u>-</u> | <u>169,414</u> |
| Total expenditures | <u>2,068,027</u> | <u>719,433</u> | <u>42,214</u> | <u>2,793,143</u> |
| Excess (deficiency) of revenues over (under) expenditures | 12,508 | (12,162) | 481,908 | (681,636) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 5,000 | - | - | 845 |
| Operating transfers in | - | - | - | 48 |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(484,502)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>5,000</u> | <u>-</u> | <u>(484,502)</u> | <u>513,347</u> |

ExhibitE

| <u>Nonmajor</u> | <u>Total</u> |
|-----------------|-------------------|
| \$ 40,208 | \$2,032,440 |
| - | 24,123 |
| 10,828 | 2,964,004 |
| - | 3,071 |
| 24,708 | 353,875 |
| 94 | 36,611 |
| <u>-</u> | <u>85,149</u> |
| <u>75,838</u> | <u>5,499,273</u> |
| - | 635,010 |
| - | 560,803 |
| - | 719,433 |
| 2,000 | 165,054 |
| - | 2,623,729 |
| 1,416 | 218,593 |
| - | 521,215 |
| - | 12,982 |
| 42,680 | 42,680 |
| <u>-</u> | <u>169,414</u> |
| <u>46,096</u> | <u>5,668,913</u> |
| 29,742 | (169,640) |
| - | 33,845 |
| - | 484,502 |
| <u>-</u> | <u>(484,502)</u> |
| <u>-</u> | <u>33,845</u> |

(continued)

RINGGOLDCOUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2004

| | | <u>Special Revenue</u> | | |
|--|-------------------|------------------------|-----------------------|------------------------|
| | <u>General</u> | <u>Mental Health</u> | <u>Rural Services</u> | <u>Secondary Roads</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 17,508 | (12,162) | (2,594) | (168,289) |
| Fund balances beginning of year, as restated | 707,403 | 530,682 | 66,109 | 1,167,556 |
| Increase in reserve for: | | | | |
| Prepaid expenses | 8,210 | - | - | 4,139 |
| Inventories | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,559</u> |
| Fund balances, end of year | \$ <u>733,121</u> | \$ <u>518,520</u> | \$ <u>63,515</u> | \$ <u>1,012,965</u> |

Exhibit E

| <u>Nonmajor</u> | <u>Total</u> |
|------------------|--------------------|
| 29,742 | (135,795) |
| 46,465 | 2,518,215 |
| - | 12,349 |
| <u>-</u> | <u>9,559</u> |
| <u>\$ 76,207</u> | <u>\$2,404,328</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

RINGGOLD COUNTY

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2004

Net change in fund balances - total governmental funds (page 20) \$ (135,795)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year, as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 393,569 | |
| Depreciation expense | <u>(201,326)</u> | 192,243 |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 30,085

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

| | | |
|----------------------------|------------|----------|
| Compensated absences | (46,806) | |
| Interest on long-term debt | <u>614</u> | (46,192) |

Prepaid expenses and inventories in the governmental fund have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 21,908

Change in net assets of governmental activities (page 13) \$ 62,249

These financial statements should be read only in connection with the accompanying notes to financial statements.

RINGGOLD COUNTY**Exhibit G****Statement of Fiduciary Assets and Liabilities****Agency Funds****June 30, 2004****ASSETS**

| | |
|------------------------------|------------------|
| Cash and pooled investments: | |
| County treasurer | \$ 320,583 |
| Other county officials | 23,225 |
| Receivables: | |
| Accounts receivable | 1,198 |
| Property tax: | |
| Delinquent | 323,751 |
| Succeeding year | 4,257,273 |
| Accrued interest | 4 |
| Due from other governments | <u>115,778</u> |
| Total assets | <u>5,041,812</u> |

LIABILITIES

| | |
|-------------------------------|------------------|
| Accounts payable | 10,631 |
| Salaries and benefits payable | 4,524 |
| Due to other funds | 14,981 |
| Due to other governments | 744,339 |
| Deferred revenue: | |
| Succeeding year property tax | 4,260,311 |
| Compensated absences | <u>7,026</u> |
| Total liabilities | <u>5,041,812</u> |

| | |
|-------------------|--------------------|
| NET ASSETS | <u><u>\$ -</u></u> |
|-------------------|--------------------|

These financial statements should be read only in connection with the accompanying notes to financial statements.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Ringgold County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ringgold County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

RINGGOLD COUNTY
Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The County reports the following major governmental funds:

| | |
|--|--|
| The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds. | |
|--|--|

Special Revenue:

| | |
|---|--|
| The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services. | |
|---|--|

| | |
|---|--|
| The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas. | |
|---|--|

| | |
|--|--|
| The Secondary Roads Fund is used to account for secondary road construction and maintenance. | |
|--|--|

Additionally, the County reports the following funds:

Fiduciary Funds:

| | |
|--|--|
| Agency funds are used to account for assets held by individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. | |
|--|--|

C. Measurement Focus and Basis of Accounting

| | |
|--|--|
| The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. | |
|--|--|

RINGGOLD COUNTY
Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at a amortized cost and non-negotiable certificates of deposit which are stated at cost.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable - Property tax in governmental fund types are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisor to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisor is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payment; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due From and Due To Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| | |
|----------------------------------|-----------|
| Infrastructure | \$ 50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

| | |
|-----------------------|-------------|
| Buildings | 40-50 years |
| Building improvements | 20-50 years |
| Infrastructure | 30-50 years |
| Equipment | 2-20 years |
| Vehicles | 3-10 years |

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities financial Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

RINGGOLD COUNTY
Notes to Financial Statements

June 30, 2004

(2) Cash and Pooled Investments (continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainaged district.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$27,167 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------------------|------------------|
| General | Trust & Agency - County Recorder | \$ 12,775 |
| General | Trust & Agency - Sheriff | <u>2,205</u> |
| Total | | <u>\$ 14,980</u> |

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimburseable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Special Revenue: | Special Revenue: | |
| Secondary roads | Rural Services | \$ 484,502 |
| Trust & Agency: | Trust & Agency: | |
| County Assessor | Special Appraiser | <u>58,000</u> |
| | | <u>\$ 542,502</u> |

Transfers generally move resources from the fund statutorily required to expend the resources to the fund statutorily required to collect the resources to the

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2004

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

| | <u>Balance Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance End of Year</u> |
|--|---|--------------------------|-------------------------|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ <u>1,109,303</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>1,109,303</u> |
| Total capital assets not being depreciated | <u>1,109,303</u> | <u>-</u> | <u>-</u> | <u>1,109,303</u> |
| Capital assets being depreciated: | | | | |
| Buildings and building improvements | 547,419 | - | - | 547,419 |
| County equipment | 281,316 | - | 5,000 | 276,316 |
| Secondary road equipment | 3,007,909 | 195,236 | 75,000 | 3,128,145 |
| Infrastructure | <u>-</u> | <u>198,333</u> | <u>-</u> | <u>198,333</u> |
| Total capital assets being depreciated | <u>3,836,644</u> | <u>393,569</u> | <u>80,000</u> | <u>4,150,213</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | 49,835 | 15,161 | - | 64,996 |
| County equipment | 194,566 | 45,152 | 5,000 | 234,718 |
| Secondary road equipment | 1,515,648 | 137,046 | 75,000 | 1,577,694 |
| Infrastructure | <u>-</u> | <u>3,967</u> | <u>-</u> | <u>3,967</u> |
| Total accumulated depreciation | <u>1,760,049</u> | <u>201,326</u> | <u>80,000</u> | <u>1,881,375</u> |
| Total capital assets being depreciated, net | <u>2,076,595</u> | <u>192,243</u> | <u>-</u> | <u>2,268,838</u> |
| Governmental activities capital assets, net | \$ <u><u>3,185,898</u></u> | \$ <u><u>192,243</u></u> | \$ <u><u>-</u></u> | \$ <u><u>3,378,141</u></u> |

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2004

(5) Capital Assets (continued)

Depreciation expense was charged to the government al functions of the County as follows:

| | | |
|--|--|-------------------|
| Governmental activities: | | |
| Public safety and legal services | | \$ 31,987 |
| Physical health and social services | | 10,483 |
| County environment and education | | 3,357 |
| Roads and transportation | | 142,613 |
| Administrative services | | <u>12,886</u> |
| Total depreciation expense-governmental activities | | <u>\$ 201,326</u> |

(6) Due to Other Governments

The County purchases services from other government al units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|-------------------|
| General | Services | \$ 421 |
| Special Revenue: | | |
| Mental Health | Services | <u>97,729</u> |
| Total for governmental funds | | <u>\$ 98,148</u> |
| Agency: | | |
| District Schools | | \$ 305,096 |
| County Assessor | | 41,018 |
| Hospital | | 70,969 |
| Corporations | | 47,986 |
| Auto License & Use Tax | | 97,647 |
| Township | | 44,992 |
| E911 Surcharge | | 26,213 |
| Special Appraisers | | 39,499 |
| All Others | | <u>70,919</u> |
| Total for agency funds | | <u>\$ 744,339</u> |

RINGGOLD COUNTY
Notes to Financial Statements
June 30, 2004

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

| | Capital Lease Purchase Agreements | Compensated Absences | Total |
|---|--|---------------------------------|-------------------|
| Balance, beginning of year, as restated | \$ 247,337 | \$ 180,255 | \$ 427,592 |
| Increase | - | 48,220 | 48,220 |
| Decreases | <u>30,084</u> | <u>36,953</u> | <u>67,037</u> |
| Balance, end of year | \$ <u>217,253</u> | \$ <u>196,522</u> | \$ <u>413,775</u> |
| Due within one year | \$ <u>31,685</u> | \$ <u>40,936</u> | \$ <u>72,621</u> |

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement with a cost of \$320,000. The following is a schedule of interest at 5.25% per annum, and the present value of the net minimum lease payments under the agreement in effect at June 30, 2004:

agreement to lease an elevator with a historical future minimum lease payments, including of net minimum lease payments under the

**Year
Ending
June 30,**

| | |
|------|---------------|
| 2005 | \$ 42,680 |
| 2006 | 42,680 |
| 2007 | 42,680 |
| 2008 | 42,680 |
| 2009 | 42,680 |
| 2010 | <u>42,680</u> |

Total minimum lease payments 256,080

Less amount representing interest 38,828

Present value of net minimum lease payments \$ 21 7,252

Payments under capital lease purchase agreements for the year ended June 30, 2004 totaled \$42,680.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 5.75% and 8.05%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 8.05% and 5.75%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 8.05% and 5.75%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$120,459, \$115,761, and \$118,344, respectively, equal to the required contributions for each year.

(9) Risk Management

Ringgold County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or an proportion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or more to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund , on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(9) Risk Management (continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contribution to the Pool for the year ended June 30, 2004 were \$79,452.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverages since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee benefit blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

RINGGOLD COUNTY

Notes to Financial Statements

June 30, 2004

(10) Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

Ringgold County Assessor's Conference Board - The County Board of Supervisors are members of or appointed representatives to the Ringgold County Assessor's Conference Board. Financial transactions of this organization are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

Solid Waste Management Commission - The County is a member of the Wayne - Ringgold - Decatur County Solid Waste Management Commission, hereinafter referred to as the "Commission". The Commission is an intergovernmental group whose members include Wayne, Ringgold and Decatur Counties including cities in and around those counties. The Commission was created with a purpose to operate and maintain solid waste facilities for member units of government, as authorized by Chapter 28E of the Code of Iowa. Ringgold County submits payments to the commission based on the County's usage of the landfill. Ringgold County, in the event of dissolution of the Commission, or the withdrawal of the County from the Commission, shall, as stated in the Joint Powers Agreement creating the Commission, have a perpetual obligation to continue to make contributions to the Commission, or its successors, for closure and post-closure costs. The required contribution will be based upon a formula stated in the Joint Powers Agreement for the Commission. The total costs for closure and post-closure at the end of the landfill's life, based upon estimates included in the Wayne-Ringgold-Decatur County Solid Waste Management Commission's financial status at June 30, 2003 was \$580,946, of which Ringgold County would be liable for \$47,973. Actual costs at the time of closing may be higher due to inflation, changes in technology or changes in regulations. Ringgold County's proportionate share of the total estimated post-closure costs has not been determined by the County nor the Commission.

(11) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

RINGGOLD COUNTY
Notes to Financial Statements

June 30, 2004

(11) Accounting Change (continued)

Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement Number 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*, Statement Number 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Net assets on major special revenue funds are represented in total in one column.

The government-wide financial statements report the County's governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in net assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

| | |
|--|------------------|
| Net assets, June 30, 2003, as previously reported | \$ 2,487,678 |
| GASB Interpretation 6 adjustments | <u>30,537</u> |
| Net assets, July 1, 2003, as restated for governmental funds | 2,518,215 |
| GASB 34 adjustments: | |
| Capital assets, net of accumulated depreciation | 3,185,898 |
| Change in long-term liabilities | <u>(400,303)</u> |
| Net assets, as restated at July 1, 2003 | \$ 5,303,810 |

(12) Hospital Revenue Capital Loan Notes

The County has issued a total of \$700,000 hospital revenue capital loan notes under the provisions of Chapter 347A.1 of the Code of Iowa, of which \$588,436 is outstanding at June 30, 2003. The bonds are payable solely by the hospital, and the bond principal and interest do not constitute liabilities of the County.

This information is an integral part of the accompanying financial statements.

REQUIRINGSUPPLEMENTARYINFORMATION

RINGGOLD COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2004

| | Governmental Fund Types <u>Actual</u> | <u>Budgeted Amounts</u> <u>Original</u> | <u>Final</u> |
|---|---|--|-------------------|
| RECEIPTS: | | | |
| Property and other county tax | \$ 2,013,840 | \$ 2,048,492 | \$ 2,048,492 |
| Interest and penalty on property tax | 23,917 | 18,300 | 18,300 |
| Intergovernmental | 2,932,104 | 2,790,163 | 2,980,095 |
| Licenses and permits | 3,115 | 2,080 | 2,080 |
| Charges for services | 359,926 | 312,014 | 316,674 |
| Use of money and property | 52,816 | 15,235 | 34,835 |
| Miscellaneous | <u>123,468</u> | <u>47,330</u> | <u>173,598</u> |
| Total receipts | <u>5,509,186</u> | <u>5,233,614</u> | <u>5,574,074</u> |
| DISBURSEMENTS: | | | |
| Public safety and legal services | 638,246 | 641,702 | 685,053 |
| Physical health and social services | 575,216 | 714,035 | 793,238 |
| Mental health | 697,429 | 827,172 | 834,729 |
| County environment and education services | 169,355 | 183,852 | 183,852 |
| Roads and transportation | 2,626,037 | 2,149,740 | 2,700,740 |
| Governmental services to residents | 217,241 | 237,585 | 237,585 |
| Administrative services | 529,279 | 563,950 | 575,728 |
| Non-program | 12,982 | 12,500 | 16,673 |
| Debt service | 42,680 | 42,700 | 42,700 |
| Capital projects | <u>157,924</u> | <u>176,000</u> | <u>236,000</u> |
| Total disbursements | <u>5,666,389</u> | <u>5,549,236</u> | <u>6,306,298</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | (157,203) | (315,622) | (732,224) |
| OTHER FINANCING SOURCES, NET | <u>33,845</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS | (123,358) | (315,622) | (732,224) |
| BALANCES, BEGINNING OF YEAR | <u>2,124,364</u> | <u>1,517,981</u> | <u>1,517,981</u> |
| BALANCES, END OF YEAR | <u>\$ 2,001,006</u> | <u>\$ 1,202,359</u> | <u>\$ 785,757</u> |

**Final to
Actual
Variance-Positive/
(Negative)**

\$ (34,652)
5,617
(47,991)
1,035
43,252
17,981
(50,130)

(64,888)

46,807
218,022
137,300
14,497
74,703
20,344
46,449
3,691
20
78,076

639,909

575,021

33,845

608,866

606,383

\$ 1,215,249

See accompanying independent auditor's report.

RINGGOLD COUNTY
Budgetary Comparison Schedule-
Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

| | Governmental Fund Types | | |
|--|--------------------------------|--------------------------------------|---------------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 5,509,186 | \$ (9,913) | \$ 5,499,273 |
| Expenditures | <u>5,666,389</u> | <u>2,524</u> | <u>5,668,913</u> |
| Net | (57,203) | (12,439) | (169,640) |
| Other financing sources, net | 33,845 | - | 5,000 |
| Beginning fund balances, as restated | 2,124,364 | 39 3,851 | 2,518,217 |
| Increase in reserve for prepaid expenses | - 1 | 2,349 | 12,349 |
| Increase in reserve for inventories | <u>-</u> | <u>9,559</u> | <u>9,559</u> |
| Ending fund balance | <u>\$ 2,001,006</u> | <u>\$ 403,322</u> | <u>\$ 2,391,979</u> |

See accompanying independent auditor's report.

RINGGOLD COUNTY

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget in the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Functions required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, the county had three budget amendments. The amendments increased budgeted revenues by \$340,460 and disbursements by \$757,062. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

RINGGOLD COUNTY
Combining Balance Sheet
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

| ASSETS | Medicaid Administrative Claiming 10% | REAP | Recorders Records Management |
|--|---|------------------|---|
| Cash and pooled investments | \$ 5,472 | \$ 13,453 | \$ 7,034 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | - | - |
| Succeeding year | - | - | - |
| Accounts receivable | - | - | 175 |
| Accrued interest | 2 | 5 | 1 |
| Due from other governments | - | - | - |
| TOTAL ASSETS | \$ 5,474 | \$ 13,458 | \$ 7,210 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Deferred revenue: | | | |
| Succeeding year property tax | \$ - | \$ - | \$ - |
| Total liabilities | - | - | - |
| Fund balances: | | | |
| Reserved for: | | | |
| Debt service | - | - | - |
| Unreserved | 5,474 | 13,458 | 7,210 |
| Total fund equity | 5,474 | 13,458 | 7,210 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 5,474 | \$ 13,458 | \$ 7,210 |

Schedule1

| County Conservation Reserve | Electronic Transaction Fund | Debt Service | Total |
|--|--|-------------------------|-------------------|
| \$ 16,203 | \$ 22,716 | \$ 7,382 | \$ 72,260 |
| - | - | 2,827 | 2,827 |
| - | - | 40,781 | 40,781 |
| - | - | - | 175 |
| - | 9 | - | 17 |
| <u>-</u> | <u>-</u> | <u>928</u> | <u>928</u> |
| <u>\$ 16,203</u> | <u>\$ 22,725</u> | <u>\$ 51,918</u> | <u>\$ 116,988</u> |
| | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 40,781</u> | <u>\$ 40,781</u> |
| | | | |
| <u>-</u> | <u>-</u> | <u>40,781</u> | <u>40,781</u> |
| | | | |
| - | - | 11,137 | 11,137 |
| <u>16,203</u> | <u>22,725</u> | <u>-</u> | <u>65,070</u> |
| | | | |
| <u>16,203</u> | <u>22,725</u> | <u>11,137</u> | <u>76,207</u> |
| | | | |
| <u>\$ 16,203</u> | <u>\$ 22,725</u> | <u>\$ 51,918</u> | <u>\$ 116,988</u> |

See accompanying independent auditor's report.

RINGGOLD COUNTY
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances

Nonmajor Special Revenue Funds

Year Ended June 30, 2004

| | Medicaid Administrative Claiming 10% | REAP | Recorders Records Management |
|---|---|------------------|---|
| Revenues: | | | |
| Property tax and other county tax | \$ - | \$ - | \$ - |
| Intergovernmental | - | 8,131 | - |
| Charges for services | - | - | 2,019 |
| Use of money and property | <u>19</u> | <u>29</u> | <u>10</u> |
| Total revenues | <u>19</u> | <u>8,160</u> | <u>2,029</u> |
| Expenditures: | | | |
| County environment and education | - | 2,000 | - |
| Governmental services to residents | - | - | 1,416 |
| Debt service | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>2,000</u> | <u>1,416</u> |
| Excess (deficiency) of revenues over (under) expenditures | 19 | 6,160 | 613 |
| Fund balances, beginning of year | <u>5,455</u> | <u>7,298</u> | <u>6,597</u> |
| Fund balances, end of year | <u>\$ 5,474</u> | <u>\$ 13,458</u> | <u>\$ 7,210</u> |

Schedule2

| <u>County Conservation Reserve</u> | <u>Electronic Transaction Fund</u> | <u>Debt Service</u> | <u>Total</u> |
|--|--|-------------------------|------------------|
| \$ - \$ | - \$ | 40,208 | \$ 40,208 |
| - | - | 2,697 | 10,828 |
| - | 22,689 | - | 24,708 |
| - | 36 | - | 94 |
| - | 22,725 | 42,905 | 75,838 |
| - | - | - | 2,000 |
| - | - | - | 1,416 |
| - | - | 42,680 | 42,680 |
| - | - | 42,680 | 46,096 |
| - | 22,725 | 225 | 29,742 |
| 16,203 | - | 10,912 | 46,465 |
| <u>\$ 16,203</u> | <u>\$ 22,725</u> | <u>\$ 11,137</u> | <u>\$ 76,207</u> |

See accompanying independent auditor's report.

RINGGOLD COUNTY

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2004

| ASSETS | <u>County Offices</u> | | <u>I-4 Multi-County</u> | <u>Deferred Compensation</u> | <u>Emergency Management</u> | <u>E911 Surcharge</u> |
|-------------------------------|------------------------|-----------------------|-------------------------|------------------------------|-----------------------------|-----------------------|
| | <u>County Recorder</u> | <u>County Sheriff</u> | | | | |
| Cash and pooled investments: | | | | | | |
| County Treasurer | \$ - | \$ - | \$ - | | \$ 17,056 | \$ 18,267 |
| Other county officials | 18,632 | 4,593 | - | - | - | - |
| Receivables: | | | | | | |
| Accounts receivable | 323 | - | - | - | - | - |
| Property tax: | | | | | | |
| Delinquent | - | - | - | - | - | - |
| Succeeding year | - | - | - | - | - | - |
| Accrued interest | - | - | - | - | - | 4 |
| Due from other governments | - | - | 10,845 | - | 660 | 8,914 |
| TOTAL ASSETS | <u>\$ 18,955</u> | <u>\$ 4,593</u> | <u>\$ 10,845</u> | <u>\$ -</u> | <u>\$ 17,716</u> | <u>\$ 27,185</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ 2,188 | \$ 6,113 | \$ - | \$ 86 | \$ 857 |
| Salaries and benefits payable | - | - | - | - | 440 | 115 |
| Due to other funds | 12,776 | 2,205 | - | - | - | - |
| Due to other governments | 6,179 | 200 | 4,732 | - | 16,442 | 26,213 |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | - | - | - | - | - | - |
| Compensated absences | - | - | - | - | 748 | - |
| TOTAL LIABILITIES | <u>\$ 18,955</u> | <u>\$ 4,593</u> | <u>\$ 10,845</u> | <u>\$ -</u> | <u>\$ 17,716</u> | <u>\$ 27,185</u> |

Schedule3

| <u>County Assessor</u> | <u>Special- Appraisers</u> | <u>Hospital</u> | <u>Agricultural Extension</u> | <u>District Schools</u> | <u>Area Vocational Schools</u> | <u>Corporations</u> | <u>2001 Mt.Ayr Sewer Project</u> |
|----------------------------|--------------------------------|-------------------|-----------------------------------|-----------------------------|--|---------------------|--|
| \$ 41,736 | \$ 37,388 | \$ 13,294 | \$ 1,227 | \$ 58,888 | \$ 2,640 | \$ 11,875 | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 4,249 | 3,795 | 42,832 | 4,051 | 181,832 | 8,495 | 35,952 | - |
| 62,927 | 56,198 | 629,499 | 59,537 | 2,691,621 | 124,852 | 503,488 | - |
| - | - | - | - | - | - | - | - |
| <u>1,536</u> | <u>1,354</u> | <u>14,843</u> | <u>14,061</u> | <u>-</u> | <u>2,944</u> | <u>159</u> | <u>1,846</u> |
| <u>\$ 110,448</u> | <u>\$ 98,735</u> | <u>\$ 700,468</u> | <u>\$ 66,219</u> | <u>\$2,996,717</u> | <u>\$ 138,931</u> | <u>\$551,474</u> | <u>\$ 1,846</u> |
| | | | | | | | |
| \$ 1,387 | \$ - | \$ - | \$ - | \$ - | | \$ - | \$ - |
| 3,969 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 41,018 | 39,499 | 70,969 | 6,682 | 305,096 | 14,079 | 47,986 | 1,846 |
| 62,927 | 59,236 | 629,499 | 59,537 | 2,691,621 | 124,852 | 503,488 | - |
| <u>1,147</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 110,448</u> | <u>\$ 98,735</u> | <u>\$ 700,468</u> | <u>\$ 66,219</u> | <u>\$2,996,717</u> | <u>\$ 138,931</u> | <u>\$551,474</u> | <u>\$ 1,846</u> |

(continued)

RINGGOLD COUNTY

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2004

| ASSETS | City of Mt. Ayr Nuisance <u>Assessment</u> | <u>Township</u> | Brucellosis/ <u>Tuberculosis</u> | Sun Valley Sanitary <u>Distribution</u> | Auto License & <u>Use Tax</u> | Anatomical Gift <u>Donation</u> |
|-------------------------------|---|-------------------|-------------------------------------|---|-------------------------------------|---------------------------------------|
| Cash and pooled investments: | | | | | | |
| County Treasurer | \$ - | \$ 2,440 | \$ 16 | \$ 95 | \$ 97,647 | \$ 30 |
| Other county officials | - | - | - | - | - | - |
| Receivables: | | | | | | |
| Accounts receivable | - | - | - | - | - | - |
| Property tax: | | | | | | |
| Delinquent | - | 39,670 | 52 | 2,823 | - | - |
| Succeeding year | - | 91,787 | 1,100 | 36,264 | - | - |
| Accrued interest | - | - | - | - | - | - |
| Due from other governments | - | 2,882 | - | 496 | - | - |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 136,779</u> | <u>\$ 1,168</u> | <u>\$ 39,678</u> | <u>\$ 97,647</u> | <u>\$ 30</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | - | \$ - | \$ - |
| Salaries and benefits payable | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Due to other governments | - | 44,992 | 68 | 2,827 | 97,647 | 30 |
| Deferred revenue: | | | | | | |
| Succeeding year property tax | - | 91,787 | 1,100 | 36,264 | - | - |
| Compensated absences | - | - | - | 587 | - | - |
| TOTAL LIABILITIES | <u>\$ -</u> | <u>\$ 136,779</u> | <u>\$ 1,168</u> | <u>\$ 39,678</u> | <u>\$ 97,647</u> | <u>\$ 30</u> |

Schedule3

| <u>Anticipated Property Tax</u> | <u>TaxSale Redemption</u> | <u>Recorder's Electronic Fee</u> | <u>Unreim- bursed Medical</u> | <u>Dependent Care</u> | <u>Hold ing Fund</u> | <u>Total</u> |
|---|-------------------------------|--|---------------------------------------|---------------------------|--------------------------|--------------------|
| \$ 13,854 | \$ 3,778 | \$ - | \$ 351 | \$ 1 | \$ - | \$ 320 |
| - | - | - | - | - | 2 | |
| - | - | 875 | - | - | 1,19 | 8 |
| - | - | - | - | - | 3 | |
| - | - | - | - | - | 4 | |
| - | - | - | - | - | 4 | |
| - | - | - | - | - | 3,519 | 115,778 |
| <u>\$ 13,854</u> | <u>\$ 3,778</u> | <u>\$ 875</u> | <u>\$ 351</u> | <u>\$ 1</u> | <u>\$ 3,519</u> | <u>\$5,041,812</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | | \$ 10,631 |
| - | - | - | - | - | 4 | |
| - | - | - | - | - | 1 | |
| 9,310 | 3,778 | 875 | 351 | 1 | 3,519 | 744,339 |
| - | - | - | - | - | 4 | |
| 4,544 | - | - | - | - | - | |
| <u>\$ 13,854</u> | <u>\$ 3,778</u> | <u>\$ 875</u> | <u>\$ 351</u> | <u>\$ 1</u> | <u>\$ 3,519</u> | <u>\$5,041,812</u> |

Seeaccompanyingindependentauditor'sreport.

RINGGOLD COUNTY

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2004

| | <u>County Offices</u> | | <u>I-4 Multi-County</u> | <u>Deferred Compensation</u> | <u>Emergency Management</u> | <u>E911 Surcharge</u> |
|--|------------------------|-----------------------|-------------------------|------------------------------|-----------------------------|-----------------------|
| | <u>County Recorder</u> | <u>County Sheriff</u> | | | | |
| ASSETS AND LIABILITIES | | | | | | |
| Balances, beginning of year | \$ 16,500 | \$ 6,049 | \$ 14,092 | \$ - | \$ 12,952 | \$ 105,897 |
| Additions: | | | | | | |
| Property and other county tax | - | - | - | - | - | - |
| E911 surcharge | - | - | - | - | - | 35,488 |
| State tax credits | - | - | - | - | - | - |
| Federal grants and entitlements | - | 9 | 1,660 | - | 3,273 | - |
| Contributions from other intergovernmental units | - | - | - | - | 44,041 | - |
| Auto license fees and use tax | - | - | - | - | - | - |
| Office fees and collections | 116,638 | 10,426 | - | - | - | 278 |
| Electronic transaction fee | - | - | - | - | - | - |
| Interest on investments | - | - | - | - | - | 301 |
| Assessments | - | - | - | - | - | - |
| Received from other funds | - | - | - | - | - | - |
| Miscellaneous | <u>40</u> | <u>217,017</u> | <u>-</u> | <u>4,173</u> | <u>229</u> | <u>-</u> |
| Total additions | <u>116,678</u> | <u>227,443</u> | <u>91,660</u> | <u>4,173</u> | <u>47,543</u> | <u>36,067</u> |
| Deductions: | | | | | | |
| Agency remittances: | | | | | | |
| To other funds | 56,040 | 15,508 | - | - | - | - |
| To other governments | 58,183 | 16,471 | - | - | 42,779 | 114,779 |
| To private sector | <u>-</u> | <u>196,920</u> | <u>94,907</u> | <u>4,173</u> | <u>-</u> | <u>-</u> |
| Total deductions | <u>114,223</u> | <u>228,899</u> | <u>94,907</u> | <u>4,173</u> | <u>42,779</u> | <u>114,779</u> |
| BALANCES, END OF YEAR | <u>\$ 18,955</u> | <u>\$ 4,593</u> | <u>\$ 10,845</u> | <u>\$ -</u> | <u>\$ 17,716</u> | <u>\$ 27,185</u> |

Schedule4

| <u>County Assessor</u> | <u>Special-Appraisers</u> | <u>Hospital</u> | <u>Agricultural Extension</u> | <u>District Schools</u> | <u>Area Vocational Schools</u> | <u>Corporations</u> | <u>2001 Mt.Ayr Sewer Project</u> |
|------------------------|---------------------------|-------------------|-------------------------------|-------------------------|--------------------------------|---------------------|----------------------------------|
| \$ 95,832 | \$ 97,193 | \$ 695,999 | \$ 64,290 | \$3,111,980 | \$ 141,261 | \$ 549,234 | \$ 2,498 |
| 59,405 | 52,873 | 593,685 | 56,329 | 2,523,741 | 114,7 | 57 | 457,096 |
| - | - | - | - | - | - | - | - |
| 7,288 | 6,628 | 73,163 | 6,786 | 325,492 | 14,525 | 84, | 219 |
| - | - | - | - | - | - | - | - |
| 45 | 41 | 456 | 43 | 1,972 | 91 | 1,890 | - |
| - | - | - | - | - | - | - | - |
| 671 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 10,853 |
| 58,000 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>125,409</u> | <u>59,542</u> | <u>667,304</u> | <u>63,158</u> | <u>2,851,205</u> | <u>129,373</u> | <u>543,205</u> | <u>10,853</u> |
| - | 58,000 | - | - | - | - | - | - |
| 110,793 | - | 662,835 | 61,229 | 2,966,468 | 131, | 703 | 540,965 |
| - | - | - | - | - | - | - | - |
| <u>110,793</u> | <u>58,000</u> | <u>662,835</u> | <u>61,229</u> | <u>2,966,468</u> | <u>131,703</u> | <u>540,965</u> | <u>11,505</u> |
| <u>\$ 110,448</u> | <u>\$ 98,735</u> | <u>\$ 700,468</u> | <u>\$ 66,219</u> | <u>\$2,996,717</u> | <u>\$ 138,931</u> | <u>\$551,474</u> | <u>\$ 1,846</u> |

(continued)

RINGGOLD COUNTY

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2004

| | City of Mt. Ayr Nuisance <u>Assessment</u> | <u>Township</u> | Brucellosis/ <u>Tuberculosis</u> | Sun Valley Sanitary <u>Distribution</u> | Auto License & <u>Use Tax</u> | Anatomical Gift <u>Donation</u> |
|---|---|-------------------|-------------------------------------|---|-------------------------------------|---------------------------------------|
| ASSETS AND LIABILITIES | | | | | | |
| Balances, beginning of year | \$ - | \$ 112,888 | \$ 1,096 | \$ 42,368 | \$ 87,557 | \$ 55 |
| Additions: | | | | | | |
| Property and other county tax | - | 206,877 | 81 | 7 | 30,633 | - |
| E911 surcharge | - | - | - | - | - | - |
| State tax credits | - | 11,409 | 90 | 517 | - | - |
| Federal grants and entitlements | - | - | - | - | - | - |
| Contributions from other intergovernmental units | - | - | 1 | - | - | - |
| Auto license fees and use tax | - | - | - | - | 1,160,185 | - |
| Office fees and collections | - | - | - | - | - | 210 |
| Electronic transaction fee | - | - | - | - | - | - |
| Interest on investments | - | - | - | - | - | - |
| Assessments | - | - | - | - | - | - |
| Received from other funds | - | - | - | - | - | - |
| Miscellaneous | <u>150</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total additions | <u>150</u> | <u>218,286</u> | <u>908</u> | <u>31,150</u> | <u>1,160,185</u> | <u>210</u> |
| Deductions: | | | | | | |
| Agency remittances: | | | | | | |
| To other funds | - | - | - | - | - | - |
| To other governments | 150 | 194,395 | 836 | 33,840 | 1,150,095 | 235 |
| To private sector | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deductions | <u>150</u> | <u>194,395</u> | <u>836</u> | <u>33,840</u> | <u>1,150,095</u> | <u>235</u> |
| BALANCES, END OF YEAR | <u>\$ -</u> | <u>\$ 136,779</u> | <u>\$ 1,168</u> | <u>\$ 39,678</u> | <u>\$ 97,647</u> | <u>\$ 30</u> |

Schedule 4

| Anticipated Property Tax | TaxSale Redemption | Recorder's Electronic Fee | Unreim- bursed Medical | Dependent Care | Hold ing Fund | Total |
|---|-------------------------------|--|---------------------------------------|---------------------------|--------------------------|--------------|
| \$ 18,353 | \$ 9,277 | \$ - | \$ 16 | \$ 2 | \$ - | \$5,185 |
| - | - | - | - | - | 4 | ,096,213 |
| - | - | - | - | - | 3 | 5,488 |
| - | - | - | - | 429,142 | - | 959,259 |
| - | - | - | - | - | 9 | 4,933 |
| 19,176 | - | - | - | 5,649 | 73 | ,405 |
| - | - | - | - | - | 1 | ,160,185 |
| - | 91,418 | - | - | - | 2 | 19,641 |
| - | - | 10,095 | - | - | 1 | 0,095 |
| - | - | 1 | - | - | 302 | |
| - | - | - | - | - | 1 | 0,853 |
| - | - | - | - | - | 5 | 8,000 |
| - | - | - | 11,865 | 9,983 | - | 243,457 |
| 19,176 | 91,418 | 10,096 | 11,865 | 9,983 | 434,791 | 6,961,831 |
| - | - | - | - | - | 1 | 29,548 |
| 23,675 | 96,917 | 9,221 | 11,530 | 9,984 | 431,272 | 6,679,860 |
| - | - | - | - | - | - | 296,000 |
| 23,675 | 96,917 | 9,221 | 11,530 | 9,984 | 431,272 | 7,105,408 |
| \$ 13,854 | \$ 3,778 | \$ 875 | \$ 351 | \$ 1 | \$ 3,519 | \$5,041,812 |

See accompanying independent auditor's report.

RINGGOLD COUNTY**Schedule 5****Schedule of Revenues by Source and
Expenditures by Function****All Governmental Fund Types****For the Last Year**

| | | Modified Accrual Basis 2004 |
|---|---------------------|--|
| Revenues: | | |
| Property tax and other county tax | \$ 2,032,44 | 0 |
| Interest and penalty on property tax | 24,123 | |
| Intergovernmental | 2,964,004 | |
| Licenses and permits | 3,071 | |
| Charges for services | 353,875 | |
| Use of money and property | 36,611 | |
| Miscellaneous | <u>85,149</u> | |
| Total | \$ 5,499,273 | |
| Expenditures: | | |
| Current: | | |
| Public safety and legal services | \$ 635,010 | |
| Physical health and social services | 560,80 | 3 |
| Mental health | 719,433 | |
| County environment and education services | 1 | 65,054 |
| Roads and transportation | 2,623,729 | |
| Governmental services to residents | 218,593 | |
| Administrative services | 521,215 | |
| Non-program | 12,982 | |
| Debt service | 42,680 | |
| Capital projects | <u>169,414</u> | |
| Total | \$ 5,668,913 | |

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Officials of Ringgold County
Mount Ayr, Iowa

We have audited the general purpose financial statements of Ringgold County as of and for the year ended June 30, 2004, and have issued our report thereon dated October 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ringgold County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ringgold County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Ringgold County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal controls does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04, II-B-04, and II-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ringgold County and other parties to whom Ringgold County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ringgold County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
October 28, 2004

RINGGOLD COUNTY

Schedule of Findings

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No major federal programs occurred during the year.

Part II: Findings Related to the General Purpose Financial Statements :

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. At times, one individual in the County Treasurer's office has custody of receipts and performs all record-keeping and reconciling functions for the office, including those related to all federal programs.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Treasurer should review the operating procedures of the office to obtain the maximum internal control possible under these circumstances.

Response - We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the County Treasurer, Deputy Treasurer and Clerk.

Conclusion - Response accepted.

RINGGOLD COUNTY

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements : (continued)

II-B-04 Board Approval - The Board of Supervisors reviews and signs every claim submitted for payment which can be very time consuming for these officials.

Recommendation - We recommend a summary of submitted claims be prepared and submitted to the Board for approval.

Response - We will look into an easier, more efficient approach to claims approval process.

Conclusion - Response accepted.

II-C-03 County Records - We were unable to sight several records required to be maintained by the County Auditor in accordance with Chapter 331.508 of the Code of Iowa. The unsighted records included the following: record of official bonds, lost property book, account book and index of persons receiving mental health treatment, and record book of names and addresses of persons receiving veteran assistance.

Recommendation - County should locate and maintain these records in accordance with Chapter 331.508 of the Code of Iowa.

Response - County Auditor will try to locate missing records.

Conclusion - Response accepted.

RINGGOLD COUNTY

Schedule of Findings

Year Ended June 30, 2004

Part III: Findings Related to Statutory Reporting :

III-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year, however, it was noted that no resolution existed for deposit accounts maintained by the Recorder's and Sheriff's offices.

Recommendation - A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response - The Board of Supervisors will include all depositories in future resolutions.

Conclusion - Response accepted.

III-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted for the year ended June 30, 2004.

III-C-04 Questionable Expenditures - No expenditures were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-E-04 Business Transactions - No business transactions between the County and its officials or employees were noted.

III-F-04 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions.

III-G-04 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

III-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the code of Iowa and the County's investment policy were noted.

III-I-04 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

RINGGOLD COUNTY

Schedule of Findings

Year Ended June 30, 2004

Part III: Findings Related to Statutory Reporting : (continued)

III-J-04 Capital Lease Purchase Agreements - During the year ended June 30, 2004, the County had a capital lease purchase agreement for the purchase of an elevator in the County Courthouse.

III-K-04 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

RINGGOLDCOUNTY

AuditStaff

YearEndedJune30,2004

Thisauditwasperformedby:

WilliamE.Murray,CPA,Partner

JaredKremer,CPA,Manager

TimothyR.Wood,CPA,SeniorAssociate

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